

SOUTH IOWA MUNICIPAL ELECTRIC
COOPERATIVE ASSOCIATION

INDEPENDENT AUDITOR'S REPORTS
FINANCIAL STATEMENTS
SCHEDULE OF FINDINGS AND RESPONSES

YEARS ENDED DECEMBER 31, 2020 AND 2019

SOUTH IOWA MUNICIPAL ELECTRIC
COOPERATIVE ASSOCIATION

Table of Contents

| | <u>Page</u> |
|--|-------------|
| BOARD OF DIRECTORS | 1 |
| INDEPENDENT AUDITOR'S REPORT | 2 |
| FINANCIAL STATEMENTS: | |
| Statements of Net Position | 4 |
| Statements of Revenues, Expenses and Changes in Net Position | 5 |
| Statements of Cash Flows | 6 |
| Notes to Financial Statements | 8 |
| COMMENTS AND RECOMMENDATIONS: | |
| Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <u>Government Auditing Standards</u> | 12 |
| Schedule of Findings and Responses | 14 |

SOUTH IOWA MUNICIPAL ELECTRIC
COOPERATIVE ASSOCIATION
Board of Directors
December 31, 2020

Board Members

Kyle Yates (President)
Troy Meldrem (Vice President)
Tami Allison (Secretary)
Tim Larsen (Treasurer)
Jamie Haxmeier
Matt Cooksley
Jake Harris
Amanda Held
Chuck Angstrom
Duane Armstead
Jon Barney
John Borland
Scott Tonderum
Pat Howey
Chuck Johnson

Representing

Villisca Municipal Power Plant
Brooklyn Municipal Utilities
Durant Municipal Electric Plant
Corning Municipal Utilities
Bellevue Municipal Utilities
Cascade Municipal Utilities
Earlville Municipal Utilities
Fontanelle Municipal Utilities
Gowrie Municipal Utilities
Greenfield Municipal Utilities
Lamoni Municipal Utilities
Lenox Municipal Utilities
Orient Municipal Utilities
Stuart Municipal Utilities
Winterset Municipal Utilities

Gronewold, Bell, Kyhnn & Co. P.C.

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DAVID A. GINTHER

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
South Iowa Municipal Electric Cooperative Association

Report on the Financial Statements

We have audited the accompanying financial statements of South Iowa Municipal Electric Cooperative Association (a political subdivision of the State of Iowa) which comprise the statements of net position as of December 31, 2020 and 2019 and the related statements of revenues, expenses and changes in net position, and cash flows for the years then ended and the related notes to financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America. This includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Association's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Association's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

To the Board of Directors
South Iowa Municipal Electric Cooperative Association

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of South Iowa Municipal Electric Cooperative Association as of December 31, 2020 and 2019 and the changes in its financial position and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

The Association has omitted the Management's Discussion and Analysis (MD&A) that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated April 2, 2021 on our consideration of South Iowa Municipal Electric Cooperative Association's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the effectiveness of the Association's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering South Iowa Municipal Electric Cooperative Association's internal control over financial reporting and compliance.

Gregory W. Bentley, CPA

Atlantic, Iowa
April 2, 2021

SOUTH IOWA MUNICIPAL ELECTRIC
COOPERATIVE ASSOCIATION
Statements of Net Position
December 31,

ASSETS

| | <u>2020</u> | <u>2019</u> |
|-------------------------------|---------------------|---------------------|
| Current Assets: | | |
| Cash and cash equivalents | \$ 530,873 | \$ 535,746 |
| Accounts receivable - members | 960,080 | 960,970 |
| Interest receivable | 11 | 710 |
| Prepaid expenses | <u>4,175</u> | <u>3,963</u> |
| Total assets | <u>\$ 1,495,139</u> | <u>\$ 1,501,389</u> |

LIABILITIES AND NET POSITION

| | | |
|------------------------------------|---------------------|---------------------|
| Current Liabilities: | | |
| Accounts payable | \$ 934,349 | \$ 956,573 |
| Total liabilities | <u>934,349</u> | <u>956,573</u> |
| Net Position: | | |
| Unrestricted | <u>560,790</u> | <u>544,816</u> |
| Total liabilities and net position | <u>\$ 1,495,139</u> | <u>\$ 1,501,389</u> |

The accompanying notes are an integral part of these statements.

SOUTH IOWA MUNICIPAL ELECTRIC
COOPERATIVE ASSOCIATION
Statements of Revenues, Expenses and Changes in Net Position
Year Ended December 31,

| | <u>2020</u> | <u>2019</u> |
|---------------------------------|-------------------|-------------------|
| Operating Revenue: | | |
| Power sold to members | \$ 11,661,218 | \$ 12,367,719 |
| CIPCO rebates | 7,000 | 7,215 |
| Patronage dividends | <u>833,286</u> | <u>847,603</u> |
| Total operating revenue | 12,501,504 | 13,222,537 |
| Operating Expenses: | | |
| Purchased power | 11,588,057 | 12,310,654 |
| Economic development costs | 40,000 | 40,000 |
| General and administrative | <u>31,998</u> | <u>41,686</u> |
| Total operating expenses | <u>11,660,055</u> | <u>12,392,340</u> |
| Income from Operations | 841,449 | 830,197 |
| Other Income: | | |
| Interest and dividend income | 1,773 | 12,627 |
| Miscellaneous income | <u>6,038</u> | <u>678</u> |
| Total other income | <u>7,811</u> | <u>13,305</u> |
| Net Income | 849,260 | 843,502 |
| Net Position, Beginning of Year | 544,816 | 548,917 |
| Member Distributions | <u>(833,286)</u> | <u>(847,603)</u> |
| Net Position, Ending of Year | <u>\$ 560,790</u> | <u>\$ 544,816</u> |

The accompanying notes are an integral part of these statements.

SOUTH IOWA MUNICIPAL ELECTRIC
COOPERATIVE ASSOCIATION
Statements of Cash Flows
Year Ended December 31,

| | <u>2020</u> | <u>2019</u> |
|--|-------------------|-------------------|
| Cash flows from operating activities: | | |
| Cash received from members | \$ 11,662,108 | \$ 12,417,353 |
| Patronage dividends received | 833,286 | 847,603 |
| Cash paid to suppliers | (11,682,491) | (12,446,371) |
| Other receipts | <u>13,038</u> | <u>7,893</u> |
| Net cash provided by operating activities | 825,941 | 826,478 |
| Cash flows from noncapital financing activities: | | |
| Member distributions | (833,286) | (847,603) |
| Net cash used in noncapital financing activities | (833,286) | (847,603) |
| Cash flows from investing activities: | | |
| Income from investments | <u>2,472</u> | <u>13,010</u> |
| Net cash provided by investing activities | <u>2,472</u> | <u>13,010</u> |
| Net decrease in cash | (4,873) | (8,115) |
| Cash and cash equivalents at beginning of year | <u>535,746</u> | <u>543,861</u> |
| Cash and cash equivalents at end of year | <u>\$ 530,873</u> | <u>\$ 535,746</u> |

(continued next page)

SOUTH IOWA MUNICIPAL ELECTRIC
COOPERATIVE ASSOCIATION
Statements of Cash Flows - Continued
Year Ended December 31,

| | <u>2020</u> | <u>2019</u> |
|---|-------------------|-------------------|
| Reconciliation of income from operations to net cash used in operating activities: | | |
| Income from operations | \$ 841,449 | \$ 830,197 |
| Adjustments to reconcile income from operations to net cash used in operating activities: | | |
| Miscellaneous income | 6,038 | 678 |
| Change in assets and liabilities: | | |
| Accounts receivable - members | 890 | 49,634 |
| Prepaid expenses | (212) | -- |
| Accounts payable | (22,224) | (54,031) |
| Total adjustments | <u>(15,508)</u> | <u>(3,719)</u> |
| Net cash provided by operating activities | <u>\$ 825,941</u> | <u>\$ 826,478</u> |

The accompanying notes are an integral part of these statements.

SOUTH IOWA MUNICIPAL ELECTRIC
COOPERATIVE ASSOCIATION
Notes to Financial Statements
December 31, 2020 and 2019

NOTE A - REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING
POLICIES

1. Reporting Entity

The South Iowa Municipal Electric Cooperative Association (SIMECA or Association) is a cooperative association and a political subdivision of the State of Iowa organized pursuant to Chapters 28E and 499 of the Code of Iowa. As a political subdivision, it is exempt from income taxes. SIMECA's Articles of Incorporation state that the purpose for which the Association was formed is: "To generate, manufacture, purchase, acquire and accumulate electric energy for its members and to transmit, distribute, sell and dispose of such electric energy to its members." Any municipal electric utility organized pursuant to Chapter 388 of the Code of Iowa may become a member of the Association by making a written application, agreeing to comply with and be bound by the Articles of Incorporation and By-Laws of the Association and paying the issuing price of membership as stipulated in the Articles of Incorporation. SIMECA is governed by a fifteen person Board of Directors. Directors represent municipal utilities across Iowa.

For financial reporting purposes, SIMECA has included all funds, organizations, agencies, boards, commissions and authorities. SIMECA has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with SIMECA are such that exclusion would cause SIMECA's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of SIMECA to impose its will on that organization or (2) the potential for the organization to provide specific benefits to or impose specific financial burdens on SIMECA. SIMECA has no component units which meet the Governmental Accounting Standards Board criteria.

2. Measurement Focus and Basis of Accounting

Measurement focus refers to when revenues and expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied.

The accompanying basic financial statements have been prepared on the accrual basis of accounting in conformity with U.S. generally accepted accounting principles, following the Uniform System of Accounting prescribed by the Federal Energy Regulatory Commission. Revenues are recognized when earned and expenses are recorded when the liability is incurred.

SIMECA's financial statements are reported as a proprietary fund, which distinguishes operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Association result from reselling purchased electric power to utilities that are members of the Association. Operating expenses for the Association include purchasing electric power and administrative expense.

SOUTH IOWA MUNICIPAL ELECTRIC
COOPERATIVE ASSOCIATION
Notes to Financial Statements
December 31, 2020 and 2019

NOTE A - REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING
POLICIES - Continued

3. Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

4. Accounts Receivable and Revenue Recognition

Revenues from reselling purchased electric power and member assessments are recorded as revenue when earned or assessed.

Accounts receivable represent amounts that are due and payable from members but have not been collected at December 31. Management of the Association believes the receivables will be realized without material collection losses; therefore, no allowance for uncollectible accounts exists.

5. Investments

Investments are carried at fair value except for investments in debt securities with maturities of less than one year at the time of purchase. These investments are stated at amortized cost, which approximates fair value. Securities traded on a national or international exchange are valued at the reported sales price and current exchange rates at year end. Interest, dividends, and gains and losses, both realized and unrealized, on investments are included in other income when earned.

6. Cash Equivalents

For purposes of the statement of cash flows, the Association considers all highly liquid debt instruments purchased with a maturity of less than three months to be cash equivalents.

7. Net Position

Net position of the Association is classified as *Unrestricted net position* because none of the net position has been restricted by outside organizations.

SOUTH IOWA MUNICIPAL ELECTRIC
COOPERATIVE ASSOCIATION
Notes to Financial Statements
December 31, 2020 and 2019

NOTE B - DEPOSITS AND INVESTMENTS

The Association's deposits and investments at December 31 are as follows:

| | <u>2020</u> | <u>2019</u> |
|--------------------------------|-------------------|-------------------|
| Unrestricted Funds: | | |
| Cash | \$ 2,514 | \$ 2,054 |
| IPAIT - cash equivalents | <u>528,359</u> | <u>533,692</u> |
| Total deposits and investments | <u>\$ 530,873</u> | <u>\$ 535,746</u> |

The Association's deposits at December 31, 2020 and 2019 were entirely covered by federal depository insurance or the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to ensure there will be no loss of public funds. Investments are stated as indicated in Note A.

The Association is authorized by statute to invest public funds in obligations of the United States Government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Board of Directors; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

The Association has investments in the Iowa Public Agency Investment Trust (IPAIT) which are valued at an amortized cost of \$528,359 (\$533,692 in 2019) pursuant to Rule 2a-7 under the Investment Company Act of 1940. There were no limitations or restrictions on withdrawals for the IPAIT investments. The Association's investment in IPAIT is unrated.

The Association had no other investments meeting the disclosure requirements of Governmental Accounting Standards Board Statement No. 72.

Interest rate risk - The Association's investment policy limits the investment of funds to IPAIT or short term deposits in banks located in the State of Iowa. The maturities shall be consistent with the needs and use of the Association.

Credit risk - The Association's investment in the Iowa Public Agency Investment Trust is unrated.

NOTE C - MAJOR SUPPLIER

SIMECA has an agreement to purchase all of its electric power from Central Iowa Power Cooperative (CIPCO). The members realize a lower cost of power by purchasing as a group through the Association. This agreement remains in effect until 2053.

SOUTH IOWA MUNICIPAL ELECTRIC
COOPERATIVE ASSOCIATION
Notes to Financial Statements
December 31, 2020 and 2019

NOTE D - CONTINGENCIES

Risk Management

SIMECA is exposed to risks of liability claims related to business risks of loss. These risks are covered to the extent practical by the purchase of commercial insurance. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

Subsequent Event

The Association has evaluated all subsequent events through April 2, 2021, the date the financial statements were available to be issued.

NOTE E - RECLASSIFICATIONS

Certain amounts or presentations of prior year figures may have been reclassified to conform to the December 31, 2020 presentation. Ending net position remained unchanged as a result of any reclassification.

* * *

COMMENTS AND RECOMMENDATIONS

Gronewold, Bell, Kyhnn & Co. P.C.

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Independent Auditor's Report on Internal Control Over Financial Reporting
and on Compliance and Other Matters
Based on an Audit of Financial Statements Performed in Accordance with
Government Auditing Standards

To the Board of Directors
South Iowa Municipal Electric Cooperative Association

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, the financial statements of South Iowa Municipal Electric Cooperative Association, as of and for the years ended December 31, 2020 and 2019, and the related notes to financial statements, and have issued our report thereon dated April 2, 2021.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered South Iowa Municipal Electric Cooperative Association's internal control over financial reporting to determine the audit procedures appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of South Iowa Municipal Electric Cooperative Association's internal control. Accordingly, we do not express an opinion on the effectiveness of South Iowa Municipal Electric Cooperative Association's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control which is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that have not been identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify a certain deficiency in internal control, described in the accompanying Schedule of Findings and Responses that we consider to be a significant deficiency: 20-I-A.

To the Board of Directors
South Iowa Municipal Electric Cooperative Association

Compliance and Other Matters

As part of obtaining reasonable assurance about whether South Iowa Municipal Electric Cooperative Association's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under Government Auditing Standards. However, we noted an immaterial instance of non-compliance or other matter which is described in Part II of the accompanying Schedule of Findings and Responses.

Comments involving statutory and other legal matters about the Association's operations for the year ended December 31, 2020 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the Association. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

Responses to Findings

South Iowa Municipal Electric Cooperative Association's responses to the findings identified in our audit are described in the accompanying Schedule of Findings and Responses. South Iowa Municipal Electric Cooperative Association's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Association's internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the Association's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Gamerwald, Bell, Fyhn & Co. P.C.

Atlantic, Iowa
April 2, 2021

SOUTH IOWA MUNICIPAL ELECTRIC
COOPERATIVE ASSOCIATION
Schedule of Findings and Responses
Year Ended December 31, 2020

PART I - INTERNAL CONTROL DEFICIENCIES

20-I-A Segregation of Duties:

Criteria: Management is responsible for establishing and maintaining internal control. A good system of internal control provides for adequate segregation of duties so no one individual handles a transaction from its inception to completion. In order to maintain proper internal control, duties should be segregated so the authorization, custody and recording of transactions are not under the control of the same individual. This segregation of duties helps prevent losses from error or dishonesty and maximizes the accuracy of the Association's financial statements.

Condition: A limited number of people have the primary responsibility for most of the accounting and financial reporting duties.

Cause: The Association has a limited number of individuals available which does not allow procedures to be established to adequately segregate duties or provide compensating controls through additional oversight of transactions and processes.

Effect: Inadequate segregation of duties could adversely affect the Association's ability to prevent or detect and correct misstatements, errors or misappropriation on a timely basis by individuals in the normal course of performing their assigned functions.

Recommendation: We recognize that it may not be economically feasible for the Association to contract additional personnel for the sole purpose of segregating duties, however, it is our professional responsibility to bring this control deficiency to your attention. We recommend that the Board be aware of the lack of segregation of duties and that they act as an oversight group to the contracted accounting personnel.

Response: The Board is aware of this lack of segregation of duties, but it is not economically feasible for the Association to contract additional personnel for this reason. The Board will continue to act as an oversight group.

Conclusion: Response accepted.

* * *

SOUTH IOWA MUNICIPAL ELECTRIC
COOPERATIVE ASSOCIATION
Schedule of Findings and Responses
Year Ended December 31, 2020

PART II - OTHER FINDINGS RELATED TO REQUIRED STATUTORY REPORTING:

- 20-II-A Questionable Expenditures: No expenditures were noted that did not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979.
- 20-II-B Travel Expense: No expenditures of Association money for travel expenses of spouses of Association officials were noted.
- 20-II-C Business Transactions: No business transactions between the Association and Association officials were noted.
- 20-II-D Restricted Donor Activity: No transactions were noted between the Association, Association officials, Association employees and restricted donors in compliance with Chapter 68B of the Code of Iowa.
- 20-II-E Bond Coverage: Surety bond coverage of Association officials is in accordance with statutory provisions. The amount of coverage should be reviewed annually to ensure that the coverage is adequate for current operations.
- 20-II-F Board Minutes: No transactions were found that we believe should have been approved in the Board minutes but were not.
- 20-II-G Deposits and Investments: No instances of non-compliance with the deposit and investment provisions of Chapter 12B and 12C of the Code of Iowa and the Association's investment policy were noted.

SOUTH IOWA MUNICIPAL ELECTRIC
COOPERATIVE ASSOCIATION
Schedule of Findings and Responses
Year Ended December 31, 2020

PART II - OTHER FINDINGS RELATED TO REQUIRED STATUTORY REPORTING:

20-II-H Economic Development: During the year ended December 31, 2020, the Association paid the following payments for economic development purposes:

| <u>Entity</u> | <u>Amount</u> |
|--|---------------|
| Jackson County Economic Alliance | \$ 3,491 |
| Brooklyn Economic Development | 1,335 |
| Poweshiek Iowa Development | 750 |
| Cascade Community Enhancement Corporation | 2,891 |
| Adams Community Economic Development Corporation | 2,977 |
| Durant Development Corporation | 2,438 |
| Earlville Economic Development | 1,069 |
| Fontanelle Lions Club | 384 |
| Summerset Citizens 4H Club | 384 |
| Fontanelle Enterprise Club | 384 |
| Gowrie Development Commission | 1,472 |
| Greenfield Chamber of Commerce | 2,504 |
| Greenfield Midwest Partnership | 2,576 |
| Lamoni Airport Trust | 3,393 |
| City of Lenox Golf Course | 2,540 |
| Orient Economic Development | 780 |
| Stuart Midwest Partnership | 1,111 |
| Stuart Enterprise for Economic Development | 1,111 |
| Villisca Community Schools | 2,052 |
| Madison County Area Development Group | 6,358 |

The Association has documented the public benefits received from these expenditures, however, they are disclosed here for public information.

According to Chapter 15A of the Code of Iowa and an Attorney General's opinion dated August 28, 1986, government financing of economic development may, in appropriate circumstances, serve a public purpose. The opinion advises the governing body to evaluate the public benefits to be obtained and discusses the specific criteria to be considered in documenting public purpose.

Recommendation: The Association should continue to evaluate and document the public purpose served by these expenditures before authorizing payments.

Response: We will continue to evaluate and document the public purpose of these expenditures.

Conclusion: Response accepted.

* * *